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SUBJECT: PRIME MINISTER MELES ON THE FUTURE OF AFRICA

Classified By: Ambassador Donald Yamamoto. Reasons: 1.4 (B) and (D).

Summary

¶1. (C) Prime Minister Meles Zenawi relayed to USUN Ambassador Susan Rice May 16 that he would like to step down as Prime Minister, hinting that it could be after the 2010 elections. According to Meles, Africa faces unprecedented challenges from the world economic downturn to climate change. Africa's fate will depend on countries embracing political and economic transformation, and being able to pursue non-traditional development mechanisms. Green technology, including alternate and reusable energy, complemented by a more effective use of resources, including a shift to budgetary assistance for deserving governments over dependence on inefficient and expensive NGOs, are elements for success. U.S. programs such as the African Growth and Opportunity Act (AGOA) and Millennium Challenge Corporation (MCC) are important examples of market mechanisms helping development. He pointed to Taiwan and Korea as models for transformational development. For Africa to succeed, Meles argued, it needs to be able to experiment, explore new ways and means to identify and take advantage of a more transformational environment. End Summary.

Recognizing the Challenges

¶2. (C) In the first visit by a Cabinet level official from the new Administration, Prime Minister Meles discussed with USUN Ambassador Susan Rice during a six hour meeting the unprecedented challenges Africa faces today in fighting poverty, promoting political openness and economic development. Pursuing economic and political transformation will be key to Africa's survival. Meles outlined three important prerequisites for creating a transformational environment. First, national leaders and the electorate must recognize the challenges facing Africa and understand their causes. Meles was not optimistic and said Africa will not be a "pretty sight" in coming years with severe problems made worse by the global economic downturn and other factors including climate change which could see droughts become more common as the continent witnesses rising temperatures, less rain, and expanding deserts.

¶3. (C) Second, national leaders must "escape traps" of traditional political and economic policies and be able to pursue truly transformational ideas. For instance, Equatorial Guinea (EG) is doing well economically and developing its carbon fuel base. But EG is not a transformational country because the world is changing, and for EG to ensure its sustainable development it must transform its economy away from dependence on purely carbon fuel development. South Africa is pursuing important elements of transformation which can help lead Africa. There will be a few bright lights as some nations embrace

transformational ideas and these nations will be the models and the stimulus for change and development on the continent.

14. (C) Third, African countries must have political and policy space, free from outside criticism and pressures, to experiment on new policy approaches and new non-traditional development ideas which may, in the end, prove more beneficial to sustainable development and combating poverty. These countries must be given "space" to take risks and not be confined to adopting traditional "safe" policies advocated by international organizations and NGOs.

The Way Forward - Market Mechanism, not Patronage

15. (C) Meles offered several key areas in which political and economic transformation can be pursued by African countries. First, Meles said donors and aid recipient countries must dare to think boldly and act decisively if there is to be true change. Consensus among a nation's people or support from international organizations, NGOs and donors may not be possible, but experimentation, the constant ability to develop new ideas, methods and means to achieve development goals is very important to success and progress.

16. (C) Second, development transformation is critical to Africa's success. Noting that the U.S. allocates over 90 percent of its aid to Ethiopia through NGOs, Meles called the NGO community inefficient and argued that NGOs are not bold enough to take risks and develop new ideas. Further, echoing complaints of developing countries, Meles said many American NGOs spend as much as 80 percent of the development assistance they receive from USAID and other donors in the U.S., not Ethiopia. He said U.S. and other NGOs spend the bulk of their funds on paying salaries and overhead costs, procuring materials and hiring experts from the nation where the NGO is registered. The money could be better spent in the developing country rather than the U.S. or Europe. Meles added that NGOs create an environment of dependence and advocate a politics of "patronage."

17. (C) He cited the example of local Ethiopian organizations which are caught up in the culture of patronage where such local organizations change their behavior in order to pursue funds rather than to understand what will help development or advance ideas and causes. Meles noted that as a college student he fought against the Emperor but his funding derived from his own means and from devoted supporters dedicated to their cause. There was no dependence on outside funding from NGOs. People committed to real change and to a cause will succeed because it is an ideology not the patronage of securing funds from foreign NGOs that motivates them. Meles referred to NGOs as "big business" that can stifle development rather than promote change. NGOs undercut market mechanisms, Meles argued, which hinders true economic development. While Meles criticized USAID's use of NGOs as undermining market mechanisms, he praised MCC and AGOA as truly transformational ideas which advocate markets sustaining economic development and growth.

18. (C) Meles praised the UK for its commitment to budgetary assistance. It is more efficient, cost effective and allows Ethiopia, which has low corruption, to pursue innovative development programs, Meles claimed, because Ethiopia understands how to match the funds to reaching its goals and objectives. Meles cited the economic successes of Taiwan and Korea, as well as China and Japan, as models for rapid economic development and adopting transformational concepts. In these countries, the national leadership experimented, took risks, and implemented new ideas to reach sustainable economic growth.

19. (C) Third, critical to a transformational environment is information. Research is critical in securing data and analyzing information that will help leaders think "out of the box" and pursue irregular or non-traditional ideas. It offers different perspectives to accepted traditional policy approaches.

¶10. (C) Fourth, national leaders must broaden their economic and political agendas. For Ethiopia, counterterrorism is a concern, but not the sole objective in the government's policy thinking. Meles said other transnational threats must also be considered, such as climate change, development of alternate, reusable and renewable energies, and other concerns. Meles went into detail on the importance of harnessing "green" technology to catalyze transformational economic development in Africa and cited not only the emphasis on wind and solar energy, but also the importance of reforestation, irrigation and water resource efforts. Meles stressed that one must look beyond obvious challenges to fully understand what a nation, a region, a continent must deal with to ensure successful development. The global economic downturn is made worse by other factors, such as climate change and competition for resources as well as poor policies adopted in an effort to deal with these challenges. Meles noted that the average temperature is increasing throughout Africa. This has led to delayed rains, poor crop yields, and expanding deserts. This, more than the turmoil at the large financial institutions in Washington, New York and Europe, though serious, will have a profound affect on Africa. In this context, Meles cited his home region of Tigray, for instance, where 800 million trees will soon be planted and an innovative water catchment project is expanding throughout the region.

Comment

¶11. (C) Prime Minister Meles is brilliant and articulate as he passionately describes the urgency of the economic problems in Africa and how to deal with them in an innovative and creative manner. He represented the African countries at the G-20 summit, selected by other African leaders because of his intellectual command of economic issues, and effectively argued for USD 50 billion in non-concessional loans, placing a greater emphasis on economic performance criteria and less on governance conditions. Meles' desire to step down reaffirms press rumors and what he has told to us and others on numerous prior occasions. End Comment.

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